Employment Trends in the Omaha MSA Construction Industry

by

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In early 1988, the prospects of riverfront redevelopment, interstate renovation, and LB775 investment led some to consider the impact of these activities on Omaha’s construction industry. The availability of a trained labor force to fill anticipated new construction jobs became a concern. At the same time, an expanding number of construction jobs was seen as having the potential to create new opportunities for the economically disadvantaged, minorities, and women.

In February of 1988, the Center for Applied Urban Research (now Center for Public Affairs Research), with the assistance of staff at the Nebraska Department of Labor, studied Omaha’s construction labor market. The result of this study was a report titled Minority and Female Employment in the Omaha MSA Construction Industry: Status, Trends, and Outlook. The report was produced to provide information to the Construction Industry Liaison Committee, an organization aimed at increasing minority and female construction employment opportunities in Omaha.

The release of work force estimates for 1988, as well as revised estimates for 1987, has enabled CPAR to re-examine and update some of the information contained in last year’s study. Based on that updated information, this report discusses Omaha’s construction employment in 1988, historical and recent trends, the construction employment outlook, and labor availability.

Construction Employment in 1988

Statewide, construction posted a modest gain in 1988. There were an estimated 24,796 construction jobs in Nebraska in 1988, up from the 24,526 reported in 1987.

Construction employment in the Omaha Metropolitan Statistical Area (MSA) declined slightly to 11,808 jobs in 1988, down from the 11,959 jobs reported in 1987. Last year, Minority and Female Employment in the Omaha MSA Construction Industry projected that Omaha could add an estimated 1,587 construction jobs in 1988 as the result of new construction projects (table 1). Instead, the number of construction jobs in Omaha declined by 151. A number of factors may have contributed to this situation. Among them:

- Not all of the potential construction projects got fully underway in 1988.
- Jobs produced by some projects may have been offset by reduced construction activity elsewhere.
- The construction labor strike in 1988 resulted in down time.
- New technologies may enable some construction tasks to be performed with fewer persons.

Table 1 - Potential Construction Employment in Omaha MSA Proposed Projects

<table>
<thead>
<tr>
<th>Proposed Project</th>
<th>Total Construction Jobs/Year Possible</th>
<th>Number</th>
<th>Year</th>
<th>Annual Increment of Construction Jobs</th>
<th>Percentage of 1987 Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Riverfront development*</td>
<td>1,681</td>
<td></td>
<td>1988-1993</td>
<td>280</td>
<td>2.3</td>
</tr>
<tr>
<td>U.S. West Communications</td>
<td>913</td>
<td></td>
<td>1988-1990</td>
<td>304</td>
<td>2.5</td>
</tr>
<tr>
<td>LB775 investments pledged in 1987</td>
<td>4,621</td>
<td>304</td>
<td>1988-1993</td>
<td>770</td>
<td>6.4</td>
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<tr>
<td>Omaha MSA interstate highway reconstruction</td>
<td>3,498</td>
<td></td>
<td>1988-2002</td>
<td>233</td>
<td>1.9</td>
</tr>
<tr>
<td>Total:</td>
<td>8,725</td>
<td></td>
<td>1988-2002</td>
<td>1,587</td>
<td>13.3</td>
</tr>
<tr>
<td>1988-90</td>
<td>4,762</td>
<td></td>
<td></td>
<td>1,587</td>
<td>13.3</td>
</tr>
<tr>
<td>1990-93</td>
<td>3,849</td>
<td></td>
<td></td>
<td>1,283</td>
<td>10.7</td>
</tr>
<tr>
<td>1993-2002</td>
<td>2,097</td>
<td></td>
<td></td>
<td>233</td>
<td>1.9</td>
</tr>
</tbody>
</table>

- = not available.
*Includes Con Agra and Union Pacific projects.
Figure 1 - Construction Employment in the Omaha MSA by Industry Sub-group, 1988

Three sub-groups — building construction, heavy construction, and special trades — compose the total construction industry (figure 1). Building construction (both residential and commercial) accounted for 24.2 percent of Omaha’s construction jobs in 1988. Heavy construction (roads, bridges, utilities) made up 10.8 percent of construction jobs, and the remaining 65.0 percent were in special trades (demolition, excavation, concrete work, painting, plumbing, electrical).

Historical and Recent Trends

1972 - 1985. While the number of construction jobs nationwide grew 20.2 percent between 1972 and 1985, in Nebraska it declined 2.9 percent. In Omaha, construction jobs increased 6.6 percent from 1972 to 1985 — greater than in the state, but still substantially less than in the nation (figure 2). Essentially all of Omaha’s construction growth took place between 1983 and 1985, after the 1980 recession (figure 3). In fact, 1985 was the first year this decade in which Omaha’s construction employment surpassed the 1972 level. 1985 - 1988. Since 1985, construction employment has been on a downward, then stable, trend in Nebraska; and on a slightly downward trend in Omaha (figure 4).

The latest work force data show that the Omaha MSA recorded an all-time high number of construction jobs (12,668) in 1985. Omaha’s construction industry then lost 336 jobs in 1986 and another 335 jobs in 1987. The decline slowed in 1988, when employment decreased by 151 jobs. Overall, there were 860 fewer construction jobs in 1988 than in 1985. 1988 - 1989. Although the Omaha area 1988 annual average work force was down from 1987, recent monthly data indicate that the number of construction jobs has again begun to pick up in the Omaha MSA. Construction employment during the first three quarters of 1988 remained below levels posted for the same period of 1987, but 9 of the most recent 10 months (October 1988 to July 1989) have exceeded the previous year’s levels.

Not all construction industry sub-groups have contributed to this increase in jobs over the past 10 months. Building construction had a monthly average of 384 more jobs than in the same period a year earlier (a 13.9 percent increase), and heavy construction also added an average of 58 jobs monthly over year-ago levels (a 4.7 percent increase). Special trades jobs, on the other hand, decreased by an average of 170 jobs (2.2 percent) each month, partially offsetting the gains posted by the other two sub-groups. Still, the Omaha MSA construction industry overall has averaged a monthly increase of 272 jobs (2.3 percent) above year-ago levels since October 1988 (figure 5).

Construction Employment Outlook

Nationally, construction industry employment rose 0.4 percent in 1988, to a record 5.1 million jobs. Another 1.5 million construction workers were self-employed as proprietors or working partners. Construction employment in Omaha declined 1.3 percent in 1988.

Omaha will probably finish 1989 with its first annual gain in the number of construction jobs since 1985. If all the estimated potential 1,587 jobs from new projects were added to the 1988 base, the gain could be as much as 13.4 percent. Based on the gains posted from January to July, a more likely growth figure for the year would be about 300 jobs, or 2.5 percent.

Labor Availability

If the demand for construction workers in Omaha increases as the result of new projects, can Omaha’s labor force fill the increased need for construction workers, or will there be a shortage?

To estimate the size and composition of Omaha’s construction labor pool, CPAR examined current Omaha work force data, 1980 census data, and applicant data from Nebraska Job Service. These estimates are ball-park figures only and should be interpreted with caution, but they do provide some insight into the labor pool. (For a detailed discussion of the methodology used in developing these estimates, see Minority and Female Employment in the Omaha MSA Construction Industry: Status, Trends, and Outlook.)

An estimated 1,439 Job Service applicants sought work in construction occupations in 1988. It is generally assumed that somewhere between 20 and 40 percent of the available labor force contacts the Job Service. If Job Service applicants represent about 30 percent of all job seekers, then the total number of job seekers might be as high as 4,800. If half of those individuals are actually qualified, 2,400 would be available to fill new construction jobs. (Many of the persons laid off between 1985 and 1988 may be in this group.) Of those 2,400, about 135 would be women and 625 would be minorities.

A labor pool this size could accommodate job growth of approximately 20 percent — more than the 13.4 percent projected if all potential new construction occurs, and considerably more than the 2.5 percent that appears likely for 1989. Additionally, Omaha’s construction work force sustained 12 percent growth between 1983 and 1985, adding 2,245 jobs in excess of the 1980 precession level. Given the apparent size of the current labor pool and Omaha’s demonstrated ability to grow at a 12 percent rate between 1983 and 1985, it seems probable that the labor force can accommodate the growth in construction jobs resulting from currently anticipated projects.

Long-Term Outlook

In Workforce 2000, a study done for the U.S. Department of Labor, several trends expected to shape the work force over the coming decade were identified. Two of those trends are:

• The labor force will grow more slowly. The labor force will expand by 1 percent annually in the 1990s, compared to 2.9 percent in the 1970s.

• Older workers, minorities, women, and the disadvantaged will fill a larger proportion of the nation’s jobs. Fifteen percent of new entrants will be native white males, compared to 47 percent of new entrants today.

To the extent the trends identified in Workforce 2000 apply to Omaha, an increasingly
larger share of the labor force will consist of minorities, women, and the disadvantaged. Employers seeking a stable pool of workers for the coming decade may benefit from efforts to recruit, train, and retain these and other growing segments of the labor force.

While a construction labor shortage for the Omaha area in the short term appears unlikely, continued labor availability in the long term is more uncertain. Labor shortages can result not only from increased demand for labor, but also from decreased supply, and demographic trends may alter the supply of Omaha’s construction labor in the years ahead.

References
